

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 OMB-01 /093 W  
-----089601 112354Z /23

P 112337Z APR 78  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC PRIORITY 7005  
INFO AMCONSUL MONTREAL  
ALL OTHER CANADIAN CONSULATES BY POUCH

C O N F I D E N T I A L OTTAWA 01847

E.O. 11652: GDS  
TAGS: PINT, EFIN, ECON, CA  
SUBJECT: POLITICAL EFFECTS OF APRIL 10 BUDGET

REF: OTTAWA 1814

1. POLITICAL SIGNALS FROM BUDGET ARE MIXED. WORKING WITHIN OBVIOUS FISCAL CONSTRAINTS, CHRETIEN EXERCISED HIS CONSIDERABLE POLITICAL SKILLS AND GOT REASONABLY GOOD POLITICAL MILEAGE.
  2. SALES TAX CUTS WILL APPEAL TO AVERAGE CANADIAN AND SECURING APPROVAL OF PROVINCIAL PREMIERS, MOST OF THEM TORIES, TO THE SALES TAX ARRANGEMENT ADDS AN AURA OF BI-PARTISANSHIP. THE HAVE-NOT PROVINCES' FULL REIMBURSEMENT FOR SALES TAX LOSS IS ATTRACTIVE TO THOSE AREAS. BENEFITS TO HAVE-NOTS, MOREOVER, WERE BALANCED BY TAX BREAKS DIRECTED AT MORE FORTUNATE PROVINCES. FOR EXAMPLE, ALBERTA, WHICH HAS NO SALES TAX BUT AN ECONOMY BUILT ON ENERGY RESOURCES, WILL BENEFIT FROM HIGHER DEPRECIATION WRITEOFFS FOR THE OIL INDUSTRY. SIMILARLY, R&D TAX BREAKS FOR BUSINESSES SHOULD BE ATTRACTIVE TO HIGHLY
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INDUSTRIALIZED ONTARIO. EVEN THE PRAIRIES RECEIVED TAX RELIEF THROUGH CAPITAL GAIN POSTPONEMENT ON SALE OF AGRO-BUSINESS PROPERTY.

3. NIMBLE AS CHRETIEN WAS IN GAINING POLITICAL FAVOR IN THE FACE OF SUCH LIMITED ROOM FOR MANEUVER, APRIL 10 BUDGET DID RELATIVELY LITTLE TO DEFUSE POCKET-BOOK ITEMS

AS SERIOUS, CONCEIVABLY FATAL THREAT TO LIBERAL GOVERNMENT. OPPOSITION TORIES AND NDP IMMEDIATELY LABELED BUDGET ELEMENTS AS HALF MEASURES, TOO LITTLE TOO LATE. ARMED WITH THEIR PROPOSED \$2 BILLION INCOME TAX CUT, TORIES CAN BE EXPECTED TO CONTINUE THEIR UNRELENTING ATTACK ON GOVERNMENT'S MIS-MANAGEMENT OF THE ECONOMY. NDP, FOR ITS PART, WILL HIT HARD ON GROWING UNEMPLOYMENT AND FAILURE OF BUDGET ADEQUATELY TO ADDRESS THIS PROBLEM.

4. AS MOST RECENT GALLUP POLL SHOWED, OPPOSITION HAS MADE NO GAINS WITH THIS LINE OF ATTACK TO DATE. NONE-THELESS, STATE OF ECONOMY WILL BE THE BIG ISSUE IN COMING ELECTION CAMPAIGN AND OPPOSITION WILL RUN IT FOR ALL IT IS WORTH. CHRETIEN BUDGET MAY HAVE GAINED LIBERALS A PERIOD TO CATCH BREATH. HOWEVER, UNLESS THERE ARE SOME ENCOURAGING ECONOMIC SIGNS BETWEEN NOW AND ELECTIONS LIKELY IN JUNE, LIBERALS WILL REMAIN HIGHLY VULNERABLE ON THE ECONOMY.  
ENDERS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BUDGETS, POLITICAL STABILITY  
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**Copy:** SINGLE  
**Draft Date:** 11 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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